

# UNICREDIT

Sector: Banks

**NEUTRAL**

Price: Eu18.35 - Target: Eu20.50

## Focus on Core Revenues and M&A

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### Stock Rating

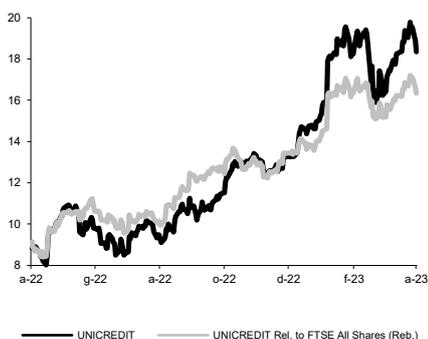
**Rating:** Unchanged  
**Target Price (Eu):** from 17.80 to 20.50

	2023E	2024E
<b>Chg in Adj EPS</b>	10.7%	12.1%

### Next Event

Results Out: May 3rd

### UNICREDIT - 12M Performance



### Stock Data

**Reuters code:** CRDI.MI  
**Bloomberg code:** UCG IM

Performance	1M	3M	12M
Absolute	13.1%	19.9%	100.8%
Relative	8.2%	15.1%	88.4%
12M (H/L)	19.78/8.02		
3M Average Volume (th):	20,081.91		

### Shareholder Data

No. of Ord shares (mn):	1,935
Total no. of shares (mn):	1,748
Mkt Cap Ord (Eu mn):	35,520
Total Mkt Cap (Eu mn):	35,520
Mkt Float - Ord (Eu mn):	28,440
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

### Balance Sheet Data

Tangible Equity (Eu mn):	60,989
TEPS (Eu):	34.88
CET1 Ratio Fully Loaded:	15.5%
Gross NPE Ratio:	2.6%

- 1Q23 preview (results out on 3 May).** We expect UCG to report flattish loans, a QoQ decrease in NII as 4Q22 benefited from over Eu100mn of positive one-offs linked to TLTRO, fairly stable fees and positive trading income. Costs should have risen slightly (+2.5% YoY) while we expect a lower cost of risk (both YoY and QoQ) to support profits in the quarter. We estimate Eu745mn of systemic charges for the quarter, while we have not embedded any capital gain/write-downs, and are assuming a tax rate of 30%. As for the fully-loaded CET1 ratio, we expect the positive contribution from earnings to have helped lift the ratio from 14.9% to 15.1% in 1Q23.
- EPS revision due to buyback programme.** After approval from the ECB and the AGM, our estimates now once again reflect the Eu3.34bn buyback programme (the first Eu2bn tranche is to be completed by June 2023, with the second tranche in 2H23) with the positive impact on EPS quantified at +11% on average for 2023 and 2024. We are also revising our CET1 ratio estimate downwards to factor in the higher payout linked to the buyback programme (which we had added back into our capital ratio estimates under the assumption that it was not going to go ahead in 2023).
- Focus on 2023 guidance, Russia and M&A.** We expect investors to focus on 2023 guidance to gauge the sustainability of trends in NII, fees and the cost of risk. Some attention is also expected on Russia (still within UCG's scope) and M&A options following recent rumours that the bank is stepping up the search for an acquisition target (mainly in Italy, according to the press, i.e. BAMI or BMPS).
- NEUTRAL confirmed; target raised to Eu 20.5.** The stock has re-rated, driven by upgraded earnings and better use of excess capital through dividends and buyback. We think management will have to clarify its strategy (M&A at the end of the plan, or possibly also in the short term?) on how excess capital will be used over the course of the business plan (our estimates and most of the consensus include buybacks for the next 3 years). The situation in Russia still needs to be resolved, but we don't think there will be any real news (management may guide for a higher capital impact in the event of a more adverse scenario). Our valuation is based on 2023 ROTE and factors in the buyback programme in 2023/2024.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	17,140	17,913	20,343	19,903	20,149
Net Operating Profit (Eu mn)	7,335	8,158	10,782	10,170	10,408
Net Profit Adj (Eu mn)	792	3,743	5,610	5,093	5,541
EPS New Adj (Eu)	0.354	1.681	2.899	2.913	3.575
EPS Old Adj (Eu)	0.354	1.681	2.899	2.632	3.191
DPS (Eu)	0.120	0.538	0.987	0.943	1.120
P/E Adj	51.9	10.9	6.3	6.3	5.1
Div. Yield	0.7%	2.9%	5.4%	5.1%	6.1%
P/TE	0.72	0.69	0.58	0.53	0.47
ROTE	1.4%	6.3%	9.2%	8.4%	9.1%